

7/25 Increased trade between the US and the USSR would probably not provide enormous economic benefits to either country. Soviet leaders, while seemingly amenable to some increase in trade, cannot be expected to allow the USSR to become dependent to any great extent on markets or sources of supply over which they have little or no control. They would probably exercise great discretion over expansion of trade with the US, in particular restricting Soviet exports to items that would not significantly affect the strategic power of the US. Nevertheless, both countries would probably benefit from an expansion of trade within the limits that Soviet leaders conceivably would allow. For example, the US might benefit by importing Soviet manganese or industrial machinery of advanced design while the USSR might gain by importing American consumer goods or industrial machinery. On the whole, it appears that the modest gains resulting from an expansion of trade would accrue more to the USSR than to the US.

As an information rather than a policy-forming agency of the Executive Branch, I may only point out the tangible results of the extension of American economic aid to Poland. It is our judgment that American aid to Poland, even though only a fraction of that extended by the USSR, has strengthened Gomulka's leadership in Poland. Gomulka is a Communist, but he is a person who has had the courage to question the absolute hegemony of Russian leadership. His leadership owes much of its success to its ability to hold out hope for freer political, economic and social institutions to non-Communist Poles even though the Gomulka regime itself would be hesitant to initiate such reforms.

7c.1 The USSR has sufficient economic strength to sustain a large foreign assistance program as long as Soviet leaders choose to do so. Although the Soviet Gross National Product is only about \$170 billion (approximately 40 percent that of the US), Soviet planners allocate a relatively small fraction of available goods and services to consumers. The USSR is already devoting almost as much of its annual output as the US to such things as capital formation, armaments, and foreign assistance. Thus, because of the low living standards in the USSR, a foreign assistance program equal in size to that of the US, would not seriously deter the continued development of the Soviet economy. Moreover, production levels in the USSR are expanding rapidly and should enable Soviet leaders--if they choose in the future--simultaneously to spend more than the US is now spending on foreign aid, defense, and military research and development, and achieve limited gains for individual consumption.